Jewish Federation of Metropolitan Chicago

Consolidated Financial Report
June 30, 2021

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Independent Auditor's Report

Board of Directors
Jewish Federation of Metropolitan Chicago

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Jewish Federation of Metropolitan Chicago (Federation) and subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Michael Reese Health Trust (Trust), a wholly owned subsidiary, which statements reflect total assets constituting 6.8% and 6.4% of consolidated total assets at June 30, 2021 and 2020, respectively, and total revenues constituting 6.7% and 2.1% of consolidated total revenues for the years then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Trust, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, based on our audits and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the financial position of the Jewish Federation of Metropolitan Chicago and subsidiaries as of June 30, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

RSM US LLP

Chicago, Illinois
December 15, 2021

Jewish Federation of Metropolitan Chicago
(In Thousands)
Consolidated Statement of Financial Position
June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Custodian	Total All Funds 2021
Assets				
Cash and cash equivalents	$ 68,021	$ 2,281	$ 5,925	$ 76,227
Investments	2,154,112	224,013	12,770	2,390,895
Pledges and other receivables, net	39,407	21,975	360	61,742
Due from JFMC Facilities Corporation	23,302	-	-	23,302
Loans receivable – affiliated agencies and other beneficiaries	3,846	-	-	3,846
Other assets	9,473	-	-	9,473
Redemptions receivable from underlying funds	18,254	-	-	18,254
Advanced contributions to underlying funds	51,566	-	-	51,566
Amount due from participating employers for pension benefits	32,668	-	-	32,668
Beneficial interest in charitable trusts	-	47,048	-	47,048
Interfund accounts	(10,575)	10,620	(45)	-
	$ 2,390,074	$ 305,937	$ 19,010	$ 2,715,021

(Continued)

Jewish Federation of Metropolitan Chicago
(In Thousands)
Consolidated Statement of Financial Position (Continued)
June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Custodian	Total All Funds 2021
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	$ 14,639	$ -	$ 2,050	$ 16,689
Appropriations payable	6,694	-	-	6,694
Grants payable	9,615	383	-	9,998
Liability for pension benefits	62,165	-	-	62,165
Funds invested on behalf of Unitholders	197,245	-	-	197,245
Other liabilities	14,201	-	-	14,201
Support Foundations distributions payable	23,156	-	-	23,156
Interest rate swap liability	13,929	-	-	13,929
Loans payable	5,750	-	-	5,750
Tax exempt debt	5,430	-	-	5,430
Funds held for others	4,299	9,039	16,960	30,298
	357,123	9,422	19,010	385,555
Net assets:				
Without donor restrictions:				
Undesignated	24,360	-	-	24,360
Noncontrolling interest in investments	62,405	-	-	62,405
Designated by the governing board for the following:				
Donor advised funds	270,313	-	-	270,313
Long-term investments	1,675,873	-	-	1,675,873
With donor restrictions	-	296,515	-	296,515
	2,032,951	296,515	-	2,329,466
	$ 2,390,074	$ 305,937	$ 19,010	$ 2,715,021

See notes to consolidated financial statements.

Jewish Federation of Metropolitan Chicago
(In Thousands)
Consolidated Statement of Financial Position
June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Custodian	Total All Funds 2020
Assets				
Cash and cash equivalents	$ 67,608	$ 6,790	$ 7,915	$ 82,313
Investments	1,750,191	189,114	8,972	1,948,277
Pledges and other receivables, net	47,852	30,191	204	78,247
Due from JFMC Facilities Corporation	26,944	-	-	26,944
Loans receivable – affiliated agencies				-
and other beneficiaries	4,134	-	-	4,134
Other assets	9,635	-	-	9,635
Redemptions receivable from underlying funds	29,244	-	-	29,244
Advanced contributions to underlying funds	15,266	-	-	15,266
Amount due from participating employers				-
for pension benefits	41,958	-	-	41,958
Beneficial interest in charitable trusts	-	37,223	-	37,223
Interfund accounts	(8,761)	8,951	(190)	-
	$ 1,984,071	$ 272,269	$ 16,901	$ 2,273,241

(Continued)

Jewish Federation of Metropolitan Chicago
(In Thousands)
Consolidated Statement of Financial Position (Continued)
June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Custodian	Total All Funds 2020
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	$ 15,524	$ -	$ -	$ 15,524
Appropriations payable	7,463	-	-	7,463
Grants payable	13,215	1,880	-	15,095
Liability for pension benefits	75,384	-	-	75,384
Funds invested on behalf of Unitholders	150,828	-	-	150,828
Other liabilities	9,996	-	-	9,996
Support Foundations distributions payable	51,479	-	-	51,479
Interest rate swap liability	20,458	-	-	20,458
Loans payable	19,714	-	-	19,714
Tax exempt debt	5,795	-	-	5,795
Funds held for others	4,229	8,793	16,901	29,923
	374,085	10,673	16,901	401,659
Net assets:				
Without donor restrictions:				
Undesignated	28,923	-	-	28,923
Noncontrolling interest in investments	57,772	-	-	57,772
Designated by the governing board for the following:				
Donor advised funds	214,605	-	-	214,605
Long-term investments	1,308,686	-	-	1,308,686
With donor restrictions	-	261,596	-	261,596
	1,609,986	261,596	-	1,871,582
	$ 1,984,071	$ 272,269	$ 16,901	$ 2,273,241

See notes to consolidated financial statements.

Jewish Federation of Metropolitan Chicago
(In Thousands)
Consolidated Statement of Activities
Year Ended June 30, 2021

	Without Donor Restrictions				Total		
		Noncontrolling	Designated		Without	With	Total
		Interest in	Donor Advised	Long-Term	Donor	Donor	All Funds
	Undesignated	Investments	Funds	Investments	Restrictions	Restrictions	2021
Revenue:							
Public support:							
Direct public support:							
Contributions	$ 105,120	$ -	$ -	$ 26,490	$ 131,610	$ 27,962	$ 159,572
Contributions designated for donor advised funds	-	-	55,292	-	55,292	-	55,292
Distributions from beneficial interest in charitable trusts to support operations	942	-	-	-	942	-	942
Total received directly	106,062	-	55,292	26,490	187,844	27,962	215,806
Indirect public support:							
United Way allocation (includes Chicago and Suburban)	502	-	-	-	502	-	502
Total received indirectly	502	-	-	-	502	-	502
Total public support	106,564	-	55,292	26,490	188,346	27,962	216,308
Grants from government agencies	9,471	-	-	-	9,471	-	9,471
Miscellaneous revenue	2,529	-	16	187	2,732	231	2,963
Total directly related revenue	12,000	-	16	187	12,203	231	12,434
Other revenue:							
Investment income (net of related fees of approximately $3,063)	17	-	2,414	4,542	6,973	225	7,198
Gain on investment activity (net)	-	-	41,631	410,065	451,696	35,408	487,104
Unrealized gain on beneficial interest in charitable trusts	-	-	-	-	-	9,825	9,825
Unrealized gain on fair value of swap arrangements	-	-	-	5,960	5,960	-	5,960
	17	-	44,045	420,567	464,629	45,458	510,087
Transfer of net assets released from restrictions:							
Satisfaction of restrictions	28,059	-	-	7,630	35,689	(35,689)	-
Total revenue	146,640	-	99,353	454,874	700,867	37,962	738,829

(Continued)

Jewish Federation of Metropolitan Chicago
(In Thousands)
Consolidated Statement of Activities (Continued)
Year Ended June 30, 2021

	Without Donor Restrictions				Total		
		Noncontrolling	Designated		Without	With	Total
		Interest in	Donor Advised	Long-Term	Donor	Donor	All Funds
	Undesignated	Investments	Funds	Investments	Restrictions	Restrictions	2021
Expenses:							
Program expenses:							
Appropriations	$ 67,340	$ -	$ -	$ -	$ 67,340	$ -	$ 67,340
Grants	64,499	-	43,645	82,386	190,530	-	190,530
Other	6,456	-	-	3,638	10,094	-	10,094
Total program expenses	138,295	-	43,645	86,024	267,964	-	267,964
Supporting expenses:							
Management and administration	14,768	-	-	2,441	17,209	-	17,209
Fundraising	6,661	-	-	-	6,661	-	6,661
Total supporting expenses	21,429	-	-	2,441	23,870	-	23,870
Total expenses	159,724	-	43,645	88,465	291,834	-	291,834
Revenue over expenses (deficiency)	(13,084)	-	55,708	366,409	409,033	37,962	446,995
Other changes in net assets:							
Pension-related changes other than pension expense	6,256	-	-	-	6,256	-	6,256
Transfer to fund deferred compensation	105	-	-	(105)	-	-	-
Transfer between funds	(5,706)	-	-	10,916	5,210	(5,210)	-
Transfer from endowment funds to support operations	7,866	-	-	(10,033)	(2,167)	2,167	-
Increase (decrease) in net assets – JFMC	(4,563)	-	55,708	367,187	418,332	34,919	453,251
Noncontrolling interest in investments	-	4,633	-	-	4,633	-	4,633
Increase (decrease) in net assets	(4,563)	4,633	55,708	367,187	422,965	34,919	457,884
Net assets:							
Beginning of fiscal year	28,923	57,772	214,605	1,308,686	1,609,986	261,596	1,871,582
End of fiscal year	$ 24,360	$ 62,405	$ 270,313	$ 1,675,873	$ 2,032,951	$ 296,515	$ 2,329,466

See notes to consolidated financial statements.

Jewish Federation of Metropolitan Chicago
(In Thousands)
Consolidated Statement of Activities
Year Ended June 30, 2020

	Without Donor Restrictions				Total		
		Noncontrolling	Designated		Without	With	Total
		Interest in	Donor Advised	Long-Term	Donor	Donor	All Funds
	Undesignated	Investments	Funds	Investments	Restrictions	Restrictions	2020
Revenue:							
Public support:							
Direct public support:							
Contributions	$ 79,059	$ -	$ -	$ 24,450	$ 103,509	$ 39,663	$ 143,172
Contributions designated for donor advised funds	-	-	51,674	-	51,674	-	51,674
Distributions from beneficial interest in charitable					-		-
trusts to support operations	867	-	-	-	867	-	867
Total received directly	79,926	-	51,674	24,450	156,050	39,663	195,713
Indirect public support:							
United Way allocation (includes Chicago							
and Suburban)	717	-	-	-	717	-	717
Total received indirectly	717	-	-	-	717	-	717
Total public support	80,643	-	51,674	24,450	156,767	39,663	196,430
Grants from government agencies	3,329	-	-	-	3,329	-	3,329
					-		-
Miscellaneous revenue	4,485	-	23	(5)	4,503	220	4,723
Total directly related revenue	7,814	-	23	(5)	7,832	220	8,052
Other revenue:							
Investment income (net of related fees							
of approximately $3,403)	19	-	3,321	8,908	12,248	348	12,596
Gain on investment activity (net)	-	-	6,486	58,106	64,592	4,551	69,143
Unrealized loss on beneficial interest in charitable trusts	-	-	-	-	-	(1,790)	(1,790)
Unrealized loss on fair value of swap arrangements	-	-	-	(5,989)	(5,989)	-	(5,989)
Inherent contribution of Jewish United Fund	12,625	-	-	95,998	108,623	19,235	127,858
	12,644	-	9,807	157,023	179,474	22,344	201,818
Transfer of net assets released from restrictions:							
Satisfaction of restrictions	17,124	-	-	2,111	19,235	(19,235)	-
Total revenue	118,225	-	61,504	183,579	363,308	42,992	406,300

(Continued)

Jewish Federation of Metropolitan Chicago
(In Thousands)
Consolidated Statement of Activities (Continued)
Year Ended June 30, 2020

	Without Donor Restrictions				Total		
		Noncontrolling	Designated		Without	With	Total
		Interest in	Donor Advised	Long-Term	Donor	Donor	All Funds
	Undesignated	Investments	Funds	Investments	Restrictions	Restrictions	2020
Expenses:							
Program expenses:							
Appropriations	$ 41,275	$ -	$ -	$ -	$ 41,275	$ -	$ 41,275
Grants	36,798	-	69,308	97,268	203,374	-	203,374
Other	6,118	-	-	5,248	11,366	-	11,366
Total program expenses	84,191	-	69,308	102,516	256,015	-	256,015
Supporting expenses:							
Management and administration	7,141	-	-	2,237	9,378	-	9,378
Fundraising	4,762	-	-	-	4,762	-	4,762
Total supporting expenses	11,903	-	-	2,237	14,140	-	14,140
Total expenses	96,094	-	69,308	104,753	270,155	-	270,155
Revenue over expenses (deficiency)	22,131	-	(7,804)	78,826	93,153	42,992	136,145
Other changes in net assets:							
Pension-related changes other than pension expense	(5,254)	-	-	-	(5,254)	-	(5,254)
Transfer to fund deferred compensation	106	-	-	(106)	-	-	-
Transfer between funds	6,047	-	-	(6,047)	-	-	-
Transfer from endowment funds to support operations	5,893	-	-	(4,286)	1,607	(1,607)	-
Increase (decrease) in net assets – JFMC	28,923	-	(7,804)	68,387	89,506	41,385	130,891
Noncontrolling interest in investments	-	3,327	-	-	3,327	-	3,327
Increase (decrease) in net assets	28,923	3,327	(7,804)	68,387	92,833	41,385	134,218
Net assets:							
Beginning of fiscal year	-	54,445	222,409	1,240,299	1,517,153	220,211	1,737,364
End of fiscal year	$ 28,923	$ 57,772	$ 214,605	$ 1,308,686	$ 1,609,986	$ 261,596	$ 1,871,582

See notes to consolidated financial statements.

Jewish Federation of Metropolitan Chicago
(In Thousands)
Consolidated Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services	Management and Administration	Fundraising	Total All Funds 2021
Functional expenses:				
Salaries	$ 4,722	$ 8,832	$ 3,997	$ 17,551
Fringe benefits	710	1,534	803	3,047
	5,432	10,366	4,800	20,598
Appropriations	67,340	-	-	67,340
Grants	190,530	-	-	190,530
Professional fees	1,109	1,305	86	2,500
Occupancy	1,122	1,499	492	3,113
Insurance	20	454	-	474
Conferences, events, meetings and major trips	59	84	393	536
Advertising	265	-	133	398
Information technology	238	1,720	202	2,160
Outside printing and design	158	10	185	353
Supplies	146	88	27	261
Staff expenses	-	-	-	-
Postage and shipping	122	105	112	339
Membership dues	14	-	-	14
Bank and credit card fees	278	127	-	405
Interest expense	-	209	-	209
Miscellaneous	1,131	1,242	231	2,604
Total functional expenses	$ 267,964	$ 17,209	$ 6,661	$ 291,834

See notes to consolidated financial statements.

Jewish Federation of Metropolitan Chicago
(In Thousands)
Consolidated Statement of Functional Expenses
Year Ended June 30, 2020

	Program Services	Management and Administration	Fundraising	Total All Funds 2020
Functional expenses:				
Salaries	$ 2,964	$ 4,606	$ 1,921	$ 9,491
Fringe benefits	453	993	501	1,947
	3,417	5,599	2,422	11,438
Appropriations	41,275	-	-	41,275
Grants	203,374	-	-	203,374
Professional fees	1,606	878	31	2,515
Occupancy	830	735	239	1,804
Insurance	25	156	-	181
Conferences, events, meetings and major trips	2,581	48	1,718	4,347
Advertising	115	-	-	115
Information technology	151	987	88	1,226
Outside printing and design	92	4	129	225
Supplies	196	42	14	252
Postage and shipping	105	47	64	216
Membership dues	12	-	-	12
Bank and credit card fees	241	74	-	315
Interest expense	145	243	-	388
Miscellaneous	1,850	565	57	2,472
Total functional expenses	$ 256,015	$ 9,378	$ 4,762	$ 270,155

See notes to consolidated financial statements.

Jewish Federation of Metropolitan Chicago
(In Thousands)
Consolidated Statement of Cash Flows
Year Ended June 30, 2021

	2021	2020
Cash flows from operating activities:		
Increase in net assets – JFMC	$ 453,251	$ 130,891
Adjustments to reconcile increase in net assets to net cash (used in) provided by operating activities:		
Change in allowance for uncollectible pledges	(187)	759
Net realized gain on investments	(100,291)	(46,786)
Net change in unrealized gain on investments	(340,077)	(24,950)
Net change in unrealized (gain) loss on beneficial interests in charitable trusts	(9,825)	1,790
Net change in unrealized loss on charitable gift annuities	1,980	1,936
Change in amount due from participating employers for pension benefits due to actuarial gains/losses and change in assumptions	11,305	(8,395)
Change in pension liability due to actuarial gains/losses and change in assumptions	(17,561)	13,649
Change in unrealized (gain) loss on fair value of swap arrangements	(5,960)	5,982
Contributions in perpetuity	(2,419)	(17,809)
Changes in:		
Pledges and other receivables	16,123	(39,447)
Due from affiliates	3,642	11,480
Other assets	162	27,096
Amount due from participating employer's for pension benefits	(2,015)	(33,563)
Accounts payable, accrued expenses and other liabilities	5,370	(4,203)
Appropriations payable	(769)	6,507
Grants payable	(5,098)	15,095
Liability for pension benefits	4,342	61,735
Support Foundations – distributions payable	(28,323)	18,704
Funds held for others	375	8,835
Net cash (used in) provided by operating activities	(15,975)	129,306
Cash flows from investing activities:		
Proceeds from sales of investments	543,634	591,247
Purchases of investments	(503,784)	(739,269)
Additions to charitable gift annuities	(534)	(88)
Liquidations of charitable gift annuities	2,083	2,084
Collections of loans receivable from affiliated agencies and other beneficiaries	288	352
Changes in:		
Advanced contributions to underlying funds	(36,300)	17,634
Redemptions receivable from underlying funds	10,990	(6,200)
Net cash provided by (used in) investing activities	16,377	(134,240)
Cash flows from financing activities:		
Contributions in perpetuity	2,419	17,809
Proceeds on loans payable	-	5,421
Payments on loans payable	(8,542)	(1,507)
Payments on tax exempt debt	(365)	(350)
Net cash (used in) provided by financing activities	(6,488)	21,373
(Decrease) increase in cash and cash equivalents	(6,086)	16,439
Cash and cash equivalents:		
Beginning of year	82,313	65,874
End of year	$ 76,227	$ 82,313
Supplemental disclosures of cash flow information:		
Inherent contribution of Jewish United Fund	$ -	$ 127,858
Interest paid	$ 191	$ 264
Supplemental schedules of noncash investing and financing activities:		
Forgiveness of loan payable	$ 5,422	$ -
Change in tracking unit and noncontrolling interest investments	$ 50,261	$ (145,573)

See notes to consolidated financial statements.

Note 1. Nature of Activities and Summary of Significant Accounting Policies

The Jewish Federation of Metropolitan Chicago (JFMC) is a not-for-profit social service organization that makes appropriations and grants to its affiliated agencies (pursuant to certain Principles of Affiliation Agreements) and other beneficiaries, which are primarily engaged in charitable, educational, social welfare and health activities.

These consolidated financial statements also include the accounts and activities of the following entities:

Jewish United Fund of Metropolitan Chicago (Jewish United Fund): Jewish United Fund is a nonprofit social service organization that conducts fundraising activities on behalf of JFMC by means of annual calendar year campaigns, in order to make domestic and overseas allocations to beneficiary organizations. Jewish United Fund provides critical resources that bring food, refuge, health care, education and emergency assistance to 500,000 Chicagoans of all faiths, and to millions of Jews in Israel and around the world. The Federation is the sole member of Jewish United Fund and has a controlling financial interest, as well as significant economic interest in the organization. The Jewish United Fund was first consolidated into JFMC's fiscal year 2020 financial statements, by means of an inherent contribution on January 1, 2020. As a result, the comparative fiscal year 2020 consolidated financial statements presented here include activity related to the Jewish United Fund from January 1, 2020 through June 30, 2020 (six months).

JFMC Pooled Endowment Portfolio, LLC (PEP): JFMC holds a portion of its investments in the JFMC Pooled Endowment Portfolio, LLC (see Note 2). JFMC is the manager and administrator of the PEP and is also the majority owner of the PEP. As manager, JFMC owned 84.1% and 83.8% of the PEP's ownership interest as of June 30, 2021 and 2020, respectively. For the fiscal years ended June 30, 2021 and 2020, JFMC owned an additional 11.2% and 10.8%, respectively, of the PEP through its subsidiary, Michael Reese Health Trust.

Michael Reese Health Trust (Trust): The Michael Reese Health Trust is a public grant-making foundation whose mission is to support and encourage charitable, educational and research activities related to health care in the Chicago metropolitan area. JFMC is the sole member of the Trust and appoints the majority of the Board of Directors.

Support Foundations: Support Foundations are separate, not-for-profit corporations which are funded by various donors to support the broad charitable purpose of JFMC (see Note 3). JFMC has both control of the board of directors and an economic interest in the Support Foundations and, accordingly, the Support Foundations have been consolidated into JFMC's financial statements.

The Covenant Foundation: The Covenant Foundation is a not-for-profit organization whose mission is to build on existing strengths within the field of Jewish education across all denominations through all forms of pre-collegiate and adult Jewish education. JFMC has a controlling financial interest in the Covenant Foundation through a majority voting interest of the Board of Directors.

A summary of significant accounting policies followed by JFMC is as follows:

Basis of accounting: The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and in conformity with accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations.

Principles of consolidation: In accordance with the accounting guidance on reporting of related entities by not-for-profit organizations, JFMC's financial statements consolidate the activities of the Jewish United Fund, PEP, the Trust, Support Foundations and the Covenant Foundation (collectively referred to as the Federation). All inter-organizational balances and transactions have been eliminated in consolidation.

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Basis of presentation: The Federation follows the accounting guidance on financial statements of nonprofit organizations, which establishes standards for general-purpose external financial statements issued by nonprofit organizations. It requires that net assets and related revenue, expenses, gains and losses be classified into two classes of net assets: net assets without donor restrictions and net assets with donor restrictions, based upon the existence or absence of donor-imposed restrictions. A definition and description of each net asset class follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions. Also included in net assets without donor restrictions are donor advised funds and long-term investments. Items that affect (i.e., increase or decrease) this net asset category include amounts received from government agencies, program service fees and all expenses associated with the core activities of the Federation. In addition to these activities, changes in this category of net assets include the activities of certain types of board-designated funds, support foundations and philanthropic support. Also included in this category are contributions without donor restrictions, indirect public support, investment income (inclusive of gains and losses on investment activity) and restricted contributions which were received and whose donor-imposed restrictions were met during the same fiscal period.

Net assets with donor restrictions*:* Net assets subject to restrictions imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met either by actions of the Federation or the passage of time. Items that affect this net asset category are restricted contributions and grants. These amounts are reclassified to net assets without donor restrictions when such restrictions are met or have expired. Some donor restrictions are perpetual in nature, in which the donor has stipulated that the funds be invested in perpetuity. This net asset category includes beneficial interests in charitable trusts. Investment income, including realized and unrealized gains on such assets, are recorded in net assets with donor restrictions until appropriated for expenditures, unless specifically restricted by the donors.

Noncontrolling interest in investments: Noncontrolling interest in investments represent the portion of equity in the PEP owned by four other not-for-profit organizations not affiliated with the Federation. The profit or loss derived from the performance of the PEP is allocated to all members of the PEP including the noncontrolling interest as reflected in the consolidated statements of activities. Noncontrolling interest on the accompanying consolidated financial statements relates to the minority members' 4.7% and 5.4% share of the PEP at June 30, 2021 and 2020, respectively.

Contributions: Contributions received, including unconditional promises and noncash assets, are recognized as revenue with or without donor restrictions when the donor's commitment is made. Conditional promises, consisting of grants from government agencies, are recognized when the barriers have been substantially met (generally when qualifying expenses have been incurred and all other grant requirements have been met). Contributions of assets other than cash are recorded at their estimated fair value. Contributions also include legacies and bequests, the amounts of which are not currently determinable, and are recorded as received.

Donor advised funds: Individuals may establish donor advised funds, whereby each fund and its related earnings may be distributed to charities recommended by the donor, subject to the approval of the Federation. Donor advised funds are classified as net assets without donor restrictions.

Cash and cash equivalents: Cash equivalents are defined as all highly liquid investments purchased with an original maturity of three months or less. The cash balance exceeds federally insured limits. However, the Federation has not experienced any losses in such accounts and management does not believe that it is exposed to any significant credit risk.

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Investments: Investments are reported at fair value. The difference between the aggregate fair values of investments as of the end of the year and their fair values at the beginning of the year for investments still owned (or the cost, for acquisitions during the year) and the net gain or losses on dispositions of investments are reflected as net gain or loss on investment activity. Dividend and interest income are reported as investment income on the consolidated statements of activities.

Pledges and other receivables: Pledges receivable are recorded for a donor's unconditional promise to give to the Federation. The allowance for doubtful pledges is based on management's estimate of the collectability of identified receivables (see Note 5).

Pledges receivable are also recorded net of a discount to present value applied to the long-term portion of any multi-year pledge. The discount is amortized over the term of the pledge, and amortization is recorded as contribution revenue on the consolidated statements of activities.

Other receivables primarily consist of Jewish United Fund campaign pledges, foundation and government grants receivable and miscellaneous receivables which are expected to be collected in fiscal year 2022. Based on historical experience and an analysis of specific accounts, management has determined that no allowance for doubtful accounts is necessary for other receivables.

Due from JFMC Facilities Corporation (Facilities): Due from Facilities (an unconsolidated special purpose entity) consists primarily of amounts relating to tax-exempt financing and advances to meet cash flow requirements. In addition, the Federation occupies office space owned by Facilities in Chicago, Illinois. Occupancy expense paid by the Federation to Facilities for the years ended June 30, 2021 and 2020, was $2,762 and $1,503, respectively.

Redemptions receivable from underlying funds: This asset consists of investment redemptions in transit at year-end related to the underlying funds invested in the PEP.

Advanced contributions to underlying funds: This asset consists of deposits made by the Federation and the PEP to investment subscriptions that were in transit at fiscal year-end.

Beneficial interest in charitable trusts: The Federation has recorded as an asset its beneficial interest in several irrevocable charitable trusts. Distributions received from the charitable trusts are recorded as revenue without donor restrictions.

Appropriations payable: Amounts approved by the Board of Directors to be paid to beneficiary organizations are included in appropriations payable to beneficiaries if unpaid at fiscal year-end. Adjustments are periodically made to appropriations payable based on Board action.

Charitable gift annuity and charitable remainder trust obligations: The Federation has entered into various charitable gift annuities and charitable remainder trust agreements with its donors. The Federation is obligated to make payments to the annuitants and trust recipients for the remainder of their lives. This liability is included in the funds held for others on the consolidated statements of financial position. The contributed funds for charitable gift annuities and charitable remainder trusts are recorded on the date the agreement or trust is recognized. Charitable gift annuities and charitable remainder trusts received for the benefit of third-party beneficiaries are recorded at fair value in the Custodian funds (see Note 7).

Donated services: No amounts have been reflected herein for donated services because they do not meet the defined requirements for inclusion in the consolidated financial statements.

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Refugee and Immigrant Social Service Program: The Federation administers state funds allocated for specified services to refugees and immigrants on behalf of the Illinois Department of Human Services. Funds received and distributions made to participating agencies under these programs are accounted for in the undesignated fund. All costs incurred by the Federation in connection with administering the programs, and reimbursements for such costs from the state agency, are reflected as program services expenses and grant revenue on the consolidated statements of activities.

Fair value of financial instruments: The fair value of the Federation's other assets and liabilities that qualify as financial instruments under the accounting guidance on measuring fair value of financial instruments approximates the carrying amounts presented in the consolidated statements of financial position due to the short-term maturity of these assets. The carrying amounts reflected in the consolidated statements of financial position for loans and pledges receivable, charitable remainder and annuity trusts, loans payable and tax-exempt debt approximate their respective fair values because discount and interest rates applied are consistent with current market rates. Management has estimated the fair values by discounting expected cash flows using interest rates that management believes are approximately equal to the interest rates currently available for similar financing arrangements.

Derivative financial instruments: Interest rate swap arrangements are recognized as either an asset or liability at fair value in the consolidated statements of financial position, with changes in fair value reported as net unrealized gains or losses in other revenue on the consolidated statements of activities. The Federation does not consider any derivative instruments to be hedging instruments in accordance with hedge accounting guidance.

Income taxes: JFMC, Jewish United Fund, the Trust, JFMC's Support Foundations and the Covenant Foundation are Illinois not-for-profit corporations and are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. However, income from certain activities not directly related to the Federation's tax-exempt purposes, such as unrelated business income allocated from investment partnerships, are subject to taxation.

The PEP, a Delaware LLC, is not subject to federal income tax because its income and losses are includable in the tax returns of its members. The PEP may be required to file returns in various state and local jurisdictions as a result of its operations and the residency of its members.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. Under this guidance, the Federation may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Federation and various positions related to the potential sources of unrelated business taxable income. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. At June 30, 2021 and 2020, there were no unrecognized tax benefits identified or recorded as liabilities.

JFMC, Jewish United Fund, the Covenant Foundation and certain Support Foundations file separate Forms 990 and 990-T in the U.S. federal jurisdiction and the state of Illinois. The remaining Support Foundations file separate Form 990 and the Trust files Form 990-PF in the U.S. federal jurisdiction and the state of Illinois. JFMC and its subsidiaries are generally no longer subject to examination by the Internal Revenue Service for years before fiscal year 2018.

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Functional expenses: Operating expenses directly identified with a specific functional area are fully allocated to that area. Operating expenses attributable to multiple functional areas are allocated based on a methodology established and consistently applied by management. Occupancy expenses are allocated on the basis of square footage. Certain expenses are allocated using ratios based on management's estimate of time and effort.

Management estimates: In preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

COVID-19: The COVID-19 pandemic affected Federation's activities and operations beginning in March 2020 when all in-person programming and fundraising events were canceled and changed to a virtual format. Most of these events were also conducted in a virtual format during fiscal year 2021. The extent to which COVID-19 impacts the Federation's future fiscal years' results depends on the future course of the pandemic and remains uncertain. Management continues to closely monitor developments in this area and will take steps to mitigate any future impact.

Reclassification: Certain fiscal year 2020 balances have been reclassified to conform to the current year presentation, without any effect on previously reported total net assets or total changes in net assets.

Pending accounting pronouncement: In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. Topic 842 will be effective for the Federation's fiscal year 2023 consolidated financial statements.

Note 2. JFMC Pooled Endowment Portfolio, LLC

The PEP is a Delaware limited liability company that was organized by JFMC in 2011 upon the transfer of investments and equity from the Federation (the Manager). As Manager, the Federation makes all investment decisions on behalf of the PEP. The PEP was created to serve as an endowment investment solution for Federation related charitable organizations and to provide access to professional investment management, administration and reporting for its members. The PEP may purchase, hold or sell investments directly or through one or more vehicles formed to facilitate the purchase, holding or sale of such investments, including one or more master funds or other entities formed for tax, administrative or operational reasons.

Note 2. JFMC Pooled Endowment Portfolio, LLC (Continued)

Each member of the PEP has a direct ownership interest in the underlying assets of the PEP and is required to be a not-for-profit organization as described by Section 501(c)(3) of the Internal Revenue Code and such member's assets now or hereafter invested in the PEP must be exclusively one or more of the types of assets described in subsections (i) through (viii) of Section 3(c)(10)(B) of the Investment Company Act of 1940, as amended (the Investment Company Act). In addition, each member must be an "accredited investor" as defined under Rule 501(a) of Regulation D of the Securities Act of 1933, as amended (the Securities Act). The minimum initial investment required to subscribe for an interest in the PEP is $1,000. The Manager may, in its sole discretion, accept subscriptions for a lesser amount or establish different minimum amounts in the future. The Manager may accept subscriptions as of the first business day of each month. The Manager, in its sole discretion, may accept or reject, in whole or in part, any subscription.

As defined in the LLC agreement, withdrawals can be made by members on a monthly basis subject to certain limitations described below. If the withdrawal request exceeds 40% of a member's average monthly account balance, the Manager will pay 50% of the withdrawal request in the current month and the remaining balance will be paid over a five-year period (the Investor Gate). The Manager shall be entitled to redeem any portion of its equity account on the first day of any month. Additionally, the amount of aggregate withdrawal requests during any given month shall be limited, on a proportionate basis among redeeming members (excluding any from the Manager), to an amount equal to 10% of the net asset value of the PEP (the Fund Gate). The remaining amount of withdrawal requests in excess of the Fund Gate will be given priority over subsequent withdrawal requests in subsequent months but continue to be subject to the Fund Gate. Members are required to provide the Manager with written notice of withdrawal requests by the 15th of each month.

The outside members' equity in the PEP was $62,405 and $57,772 as of June 30, 2021 and 2020, respectively, which is reflected as noncontrolling interest in investments on the consolidated statements of financial position.

JFMC also offers contract rights (Tracking Units) to certain qualified investors (Unitholders) who do not meet the requirements for direct ownership interest in the PEP as defined above. Each Unitholder must be a not-for-profit organization as described by Section 501(c)(3) of the Internal Revenue Code. By purchasing Tracking Units, a Unitholder is able to participate indirectly in the PEP's investment return through the JFMC's investment in the PEP. The Tracking Units do not represent a direct ownership in the PEP, they represent solely a right to receive redemption payments from the Manager as defined in the Tracking Unit agreement. At this time, the Manager is only accepting new Unitholders from Jewish charities located in the Chicagoland area. The Unitholders held $197,245 and $150,828 of JFMC's investment in the PEP as of June 30, 2021 and 2020, respectively, which is reported as a liability on the consolidated statements of financial position.

Subscriptions for Tracking Units are accepted as of the first business day of each month, with at least five calendar days' written notice prior to the first day of the month. The minimum initial investment for Tracking Units is $1,000. The number and value of Tracking Units purchased is determined by the Manager, in its sole discretion, based on the value of the PEP as of the date the Tracking Units are purchased and in accordance with the valuation policies and procedures set forth in the PEP's governing documents. The Manager, in its sole discretion, may accept or reject, in whole or in part, any subscription.

A Unitholder may withdraw all or any portion of its Tracking Units, subject to certain limitations described in the PEP's governing documents, effective as of the last business day of the month. Unitholders are required to provide the Manager with written notice of withdrawal requests by the 15th of each month. The Manager will generally pay the withdrawal amount in two installments; (1) 80% on the last day of the month in which the withdrawal is requested, and (2) the remainder is paid within 60 days.

(In Thousands)

Note 2. JFMC Pooled Endowment Portfolio, LLC (Continued)

The Manager, in its sole discretion, determines the number of Tracking Units to redeem as a result of the Unitholder's withdrawal request by valuing each Tracking Unit in accordance with the valuation policies and procedures set forth in the PEP's governing documents.

Note 3. Support Foundations

As of June 30, 2021 and 2020, various Support Foundations were consolidated within the Federation's consolidated financial statements. The Support Foundation assets are classified as net assets without donor restrictions and their revenue and expenses are reported in the "long-term investments" column on the consolidated statements of activities. The following table presents the activity of these Support Foundations.

	2021	2020
Assets:		
Investments and other assets	$ 1,147,356	$ 914,474
Liabilities:		
Distributions payable	$ 23,156	$ 51,479
Net assets	1,124,200	862,995
	$ 1,147,356	$ 914,474
Revenues:		
Contributions	$ 16,707	$ 14,763
Investment income	5,168	8,554
Gain on investment activity, net	289,334	42,431
Other income	401	387
	311,610	66,135
Expenses:		
Distributions	49,408	77,499
Other expenses	997	1,144
	50,405	78,643
Increase (decrease) in net assets	$ 261,205	$ (12,508)

(In Thousands)

Note 4. Appropriations

Appropriations to JFMC's affiliated agencies and other beneficiaries, which are approved by the Board of Directors, was $67,340 and $41,275 for fiscal years ended June 30, 2021 and 2020, respectively.

The following table presents changes in the appropriation payable accounts for the fiscal years ended June 30, 2021 and 2020.

Changes during fiscal year 2020		
Appropriations and adjustments:		
Affiliated agencies	$	23,523
Others		17,752
		41,275
Payments		48,422
Net changes	$	(7,147)
Balance, June 30, 2020		
Appropriations payable	$	7,463
Changes during fiscal year 2021		
Appropriations and adjustments:		
Affiliated agencies	$	23,495
Others		43,845
		67,340
Payments		68,109
Net changes	$	(769)
Balance, June 30, 2021		
Appropriations payable	$	6,694

In accordance with the Principles of Affiliation Agreements between JFMC and its affiliated agencies, the affiliated agencies may not negotiate any merger or material transfer of their assets without approval of JFMC and, in the event of any liquidation, dissolution or winding up of the affairs of an affiliated agency, the net proceeds, after payment of all debts, are to be distributed to JFMC.

(In Thousands)

Note 5. Pledges and Other Receivables

Pledges receivable with donor restrictions as of June 30, 2021 and 2020, consist primarily of unconditional pledges from various individuals. The pledges have been made to support various Federation-sponsored programs and projects including the Arie Crown Hebrew Day School capital project, the Fund for the Future, Jewish Child and Family Services Human Services Campus Capital Campaign, Jewish Day School Guaranty Trust Fund, Jewish Women's Foundation and Solomon Schechter Day School Capital Campaign. All pledges expected to be collected after June 30, 2022, are discounted using rates ranging from 1.2% to 4.4%. Pledges are receivable as follows:

	2021
2022	$ 9,251
2023	5,911
2024	4,375
2025	3,136
2026	1,698
Thereafter	444
	24,815
Allowance for uncollectible pledges	(2,132)
Discount to present value	(708)
	$ 21,975

The Jewish United Fund also had $30,938 and $32,472 of pledges outstanding at June 30, 2021 and 2020, respectively, that are included in pledges and other receivables without donor restrictions. These pledges were received in connection with its annual campaign and are expected to be collected in the following fiscal year. An allowance for uncollectible pledges of $5,229 and $5,490 at June 30, 2021 and 2021, respectively, had been applied to this balance.

Other receivables (without donor restrictions and custodian) of $8,469 and $15,380, are primarily composed of an amount due from an affiliated agency for its share of the interest rate swap liability of $1,417 and $1,985 (see Note 10) and grants receivable at June 30, 2021 and 2020, respectively.

(In Thousands)

Note 6. Loans Receivable—Affiliated Agencies and Other Beneficiaries

Loans receivable from affiliated agencies and other beneficiaries are stated at the net amount of the outstanding loans. Management's estimate of any allowance for loan loss is based on a review of specific loans and current economic conditions that may affect the borrower's ability to repay. There was no allowance for loan loss recorded as of June 30, 2021 and 2020.

Loans receivable due from affiliated agencies and other beneficiaries consisted of the following:

	2021	2020
Jewish Child and Family Services (JCFS):		
(a) Noninterest bearing loan to finance merger costs of Jewish Family and Community Services and Jewish Children's Bureau. Repayment of the loan began in fiscal 2010 at $75 per year through 2029.	$ 628	$ 703
JFMC Facilities Corp. (Facilities):		
(a) Loan to finance operating deficits of the Goldie Bachman Luftig Building.	2,429	2,429
(b) Loan to fund project at Migdal Oaz Home, bearing interest at 5.5%, maturing in 2037.	70	73
(c) Loan to finance road improvements at the "Z" Frank Apachi Day Camp bearing interest at a rate of 4% and payable over a 25-year period ending in 2034.	71	75
(d) Loans to finance roof and parking lot improvements at the Bernard Horwich Jewish Community Building, bearing interest at 4.5% per annum over 20 and 25-year periods with final payment due in 2029 and 2034.	248	265
(e) Loan to finance renovations at 30 S. Wells, bearing interest at a rate of 3.98%, payable monthly over a 15-year period, with final payment due in 2029.	132	146
Other organizations:		
(a) Loans made to various day schools to provide the cash match requirement to receive funding from the U.S. Department of Homeland Security Grants for security improvements at the schools. These loans bear interest at various rates (1% per annum plus the long-term Treasury bill rate) based on the term of the loan. Principal and interest payments are payable monthly, maturing at various dates through 2029.	22	68
(b) Loans to affiliated agencies to finance implementation costs of new payroll and human resources information system (see Note 8). Loan was paid in full in 2021.	-	114
(c) Others	246	261
	$ 3,846	$ 4,134

Note 7. Fair Value of Financial Instruments and Investments

As described in Note 1, the Federation reports its investments at fair value. Guidance provided by FASB defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Federation utilizes valuation techniques to maximize the use of observable inputs and minimize the use of unobservable inputs. Assets and liabilities recorded at fair value are categorized within the fair value hierarchy based upon the level of judgment associated with the inputs used to measure their value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices for identical assets or liabilities in active markets that the Federation has the ability to access at the measurement date.

Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly, and fair value is determined through the use of models or other valuation methodologies. These inputs may include (a) quoted prices for identical or similar instruments in inactive markets, (b) quoted prices for similar instruments in active markets, (c) inputs other than quoted prices that are observable for the asset or liability or (d) inputs derived principally from or corroborated by observable market data by correlation or other means. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3: Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the fair value measurement is categorized in its entirety in the fair value hierarchy based on the lowest level input that is significant to the fair value measurement. The Federation’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

The availability of valuation techniques and observable inputs can vary from instrument to instrument and is affected by a wide variety of factors including, for example, the type of instrument, whether the instrument is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the instrument. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The inputs or methodology used for valuing financial instruments are not necessarily an indication of the risks associated with investing in those instruments.

Note 7. Fair Value of Financial Instruments and Investments (Continued)

For the fiscal years ended June 30, 2021 and 2020, the application of valuation techniques applied to similar assets and liabilities have been consistent with previous years. The following is a description of the valuation methodologies used for investments, beneficial interest in charitable trusts, derivative instruments and charitable remainder and annuity trusts measured at fair value:

Investments: Investments in money market funds, registered investment companies, which include mutual funds and exchange-traded funds, investments in various equity and credit assets and securities traded on a national securities exchange, or reported on the NASDAQ national market, are stated at the last reported sales price on the day of valuation. These financial instruments are classified as Level 1 in the fair value hierarchy.

Investments in government securities and bonds and corporate notes which are traded on a national securities exchange or market are valued at the mean between the current “bid” and “asked” quotations on that day. If a reliable bid and asked quotation cannot be obtained from a national securities exchange, the security is priced at the mean between the bid and asked quotation of a reliable market maker. If the investments are not traded on an exchange, they are stated at cost plus accrued interest, which approximates the fair value. These financial instruments are classified as Level 2 in the fair value hierarchy.

Investments in non-registered investment companies consisting of certain equity funds, hedged credit funds, private credit funds and also real asset funds and real estate funds, are valued at fair value as determined by the Federation based on net asset information (practical expedient) provided by the underlying investment managers. In determining fair value, the Federation utilizes the valuation reflected on the consolidated financial statements and other financial reports of the underlying investment entities. The underlying investment entities value securities and other financial instruments at fair value based upon market price, when possible, or at fair value determined by the respective entities’ investment manager when no market price is determinable. Although the Federation and the underlying investment managers use their best judgment in estimating the fair value investments in funds, there are inherent limitations in any estimation technique. The estimated fair values of certain investments of the underlying investment entities, which may include derivatives, securities and other designated or side pocketed investments for which prices are not readily available, may not reflect amounts that could be realized upon immediate sale, nor amounts that may be ultimately realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments, and differences could be material.

In instances in which an underlying investment fund has invested in securities that include an illiquid portion, such investments may be held in a “side pocket.” Generally, side pockets are illiquid with no immediate active market. Accordingly, side pocket interests are generally valued using unobservable inputs. The fair value of the Federation’s investment in such underlying funds were approximately $31,000 and $9,000 as of June 30, 2021 and 2020, respectively.

Beneficial interest in charitable trusts: The fair value of the beneficial interest in charitable trusts is determined based upon the Federation’s proportional interest in the fair value of the trusts’ assets. The underlying trusts’ assets are either readily marketable and have fair values which are determined by obtaining quoted market prices in active markets or are determined by the trusts using information provided by the related investment managers. The beneficial interest in charitable trusts is classified as Level 3.

Note 7. Fair Value of Financial Instruments and Investments (Continued)

Derivative instruments: As further described in Note 10, the Federation uses interest rate swaps to manage interest rate risk. The valuation of these instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each interest rate swap. This analysis reflects the contractual terms of the interest rate swap, including the period to maturity, and uses observable market-based inputs, including LIBOR rate curves. The 30-day LIBOR as of June 30, 2021 and 2020, is 0.09% and 0.18%, respectively. The interest rate swaps are classified as Level 2.

Charitable remainder and annuity trusts: Assets received for charitable gift annuities and charitable remainder trusts are recorded at fair value in the without donor restrictions fund and with donor restrictions fund, respectively, until the Federation's obligations to the annuitants have been met. The difference between the fair value of assets contributed and obligations recorded is recognized as contribution revenue.

Liabilities for the charitable gift annuities and charitable remainder trusts are recorded in an amount equal to the present value of the estimated future obligations based on mortality rates derived from ordinary life annuity tables, as funds held for others on the consolidated statements of financial position. The remainder interests are computed and measured at fair value using a present value discount rate ranging from 3.40% to 7.00%. In computing the liability, management considers the estimated return on the invested assets and the contractual payment obligation during the expected term of each respective annuity agreement. The fair value estimates are classified as Level 3.

(In Thousands)

Note 7. Fair Value of Financial Instruments and Investments (Continued)

The following tables present the Federation's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2021 and 2020:

	2021				
	Quoted Prices for Identical Assets in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Valued Using Net Asset Value (1)	Total
Assets					
Investments:					
Money market funds	$ 145,316	$ -	$ -	$ -	$ 145,316
Corporate notes	-	797	-	-	797
Government securities	-	233	-	-	233
Common stocks	474,151	-	-	-	474,151
State of Israel bonds	-	8,977	-	-	8,977
Exchange-traded funds	179,329	-	-	-	179,329
Investment in underlying funds:					
Equity:					
U.S. large cap equity	84,477	-	-	81,489	165,966
U.S. small cap equity	488	-	-	43,608	44,096
Emerging markets equity	-	-	-	70,276	70,276
Developed international equity	7,308	-	-	280,846	288,154
Hedged equity	-	-	-	277,229	277,229
Private equity and fund of funds	-	-	52,477	439,007	491,484
Credit:					
Hedged credit	-	-	-	16,512	16,512
Core credit	11,219	-	-	20,787	32,006
Private credit	-	-	-	48,373	48,373
Real assets	-	-	-	84,086	84,086
Real estate	-	-	-	55,538	55,538
Other	-	-	4,923	-	4,923
	$ 902,288	$ 10,007	$ 57,400	$1,417,751	2,387,446
Certificates of deposit					3,449
Total					$2,390,895
Beneficial interest in charitable trusts	$ -	$ -	$ 47,048	$ -	$ 47,048
Liabilities					
Interest rate swaps	$ -	$ 13,929	$ -	$ -	$ 13,929
Charitable remainder and annuity trusts	-	-	14,479	-	14,479
	$ -	$ 13,929	$ 14,479	$ -	$ 28,408

(In Thousands)

Note 7. Fair Value of Financial Instruments and Investments (Continued)

	2020				
	Quoted Prices for Identical Assets in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Valued Using Net Asset Value (1)	Total
Assets					
Investments:					
Money market funds	$ 184,444	$ -	$ -	$ -	$ 184,444
Corporate notes	-	311	-	-	311
Government securities	-	239	-	-	239
Common stocks	347,577	-	-	-	347,577
State of Israel bonds	-	9,023	-	-	9,023
Exchange-traded funds	136,189	-	-	-	136,189
Investment in underlying funds:					
Equity:					
U.S. large cap equity	56,895	-	-	51,754	108,649
U.S. mid cap equity	649	-	-	-	649
U.S. small cap equity	756	-	-	27,250	28,006
Emerging markets equity	-	-	-	82,572	82,572
Developed international equity	5,160	-	-	248,107	253,267
Hedged equity	-	-	-	218,361	218,361
Private equity and fund of funds	-	-	43,170	274,938	318,108
Credit:					
Hedged credit	-	-	-	28,534	28,534
Core credit	14,596	-	-	16,648	31,244
Private credit	-	-	-	41,264	41,264
Real assets	-	-	-	95,995	95,995
Real estate	-	-	-	55,627	55,627
Other	-	-	4,772	-	4,772
	$ 746,266	$ 9,573	$ 47,942	$ 1,141,050	1,944,831
Certificates of deposit					3,446
Total					$ 1,948,277
Beneficial interest in charitable trusts	$ -	$ -	$ 37,223	$ -	$ 37,223
Liabilities					
Interest rate swaps	$ -	$ 20,458	$ -	$ -	$ 20,458
Charitable remainder and annuity trusts	-	-	14,175	-	14,175
	$ -	$ 20,458	$ 14,175	$ -	$ 34,633

(1) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in the tables above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

Financial instruments classified as Level 3 in the fair value hierarchy represent the Federation's investments in financial instruments in which the Federation has used at least one significant unobservable input in the valuation model.

(In Thousands)

Note 7. Fair Value of Financial Instruments and Investments (Continued)

The tables below present the Federation's ability to redeem an investment in underlying funds valued at net asset value or its equivalent as of June 30, 2021 and 2020, and include the underlying investment entities' redemption frequency and redemption notice period. The tables also include a summary of the significant categories of such investments measured at net asset value, their attributes and investment strategies as of June 30, 2021 and 2020:

	June 30, 2021		
	Fair Value	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Equity:			
U.S. large cap equity (a)	$ 81,489	Various	Less than or equal to 60 days
U.S. small cap equity (a)	43,608	Semi-annual	Less than or equal to 90 days
Emerging markets equity (b)	70,276	Various	Less than or equal to 90 days
Developed international equity (c)	280,846	Various	Less than or equal to 1 year/N/A
Hedged equity (d)	277,229	Various	Less than or equal to 90 days/N/A
Private equity and fund of funds (e)	439,007	Illiquid	N/A
Credit:			
Hedged credit (f)	16,512	Various	60-90 days/N/A
Core credit (g)	20,787	Various	45 days-1 year/N/A
Private credit (h)	48,373	Various	65 days/N/A
Real assets (i)	84,086	Various	60 days/N/A
Real estate (j)	55,538	Illiquid	N/A
	$ 1,417,751		

	June 30, 2020		
	Fair Value	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Equity:			
U.S. large cap equity (a)	$ 51,754	Quarterly	60 days
U.S. small cap equity (a)	27,250	Semi-annual	Less than or equal to 90 days
Emerging markets equity (b)	82,572	Various	Less than or equal to 90 days
Developed international equity (c)	248,107	Various	Less than or equal to 1 year/N/A
Hedged equity (d)	218,361	Various	Less than or equal to 90 days/N/A
Private equity and fund of funds (e)	274,938	Illiquid	N/A
Credit:			
Hedged credit (f)	28,534	Various	60-90 days/N/A
Core credit (g)	16,648	Various	45 days-1 year/N/A
Private credit (h)	41,264	Various	65 days/N/A
Real assets (i)	95,995	Various	60 days/N/A
Real estate (j)	55,627	Illiquid	N/A
	$ 1,141,050		

(a) This class represents investments in mutual funds, exchange-traded funds, partnerships and limited liability companies invested primarily in U.S. publicly traded companies with market capitalizations ranging from large to small. Redemptions range from monthly to semiannual.

Note 7. Fair Value of Financial Instruments and Investments (Continued)

(b) This class represents investments in mutual funds, exchange-traded funds, partnerships and limited liability companies invested primarily in companies located in emerging market economies around the globe. Redemptions are allowed monthly, quarterly, and biannually, and may be subject to lock-ups.

(c) This class represents investments in mutual funds, exchange-traded funds, partnerships and limited liability companies invested primarily in companies located in developed economies outside of the U.S. Redemptions range from monthly to three years and may be subject to lock-ups.

(d) This class represents investments in hedge funds whose strategies include, but are not limited to, global long/short equity, distressed investments, multi-strategy and event driven. Redemptions range from monthly to three years and may be subject to lock-ups.

(e) This class represents investments in private equity funds and fund-of-funds whose strategies include, but are not limited to, international and domestic buyouts, venture capital and special situations. These investments are illiquid.

(f) Hedged credit represents investments in hedge funds whose strategies include, but are not limited to, global long/short credit, structured credit and distressed investments. Redemptions range from monthly to three years and may be subject to lock-ups.

(g) This class represents investments in funds whose investments include U.S. investment grade debt and non-dollar sovereign debt. Redemptions range from monthly to annually and may be subject to lock-ups.

(h) Private credit represents investments that involve interests in debt obligations that are invested through an illiquid structure whose strategies include, but are not limited to, senior secured loans and distressed debt. Redemptions vary.

(i) This class represents investments in funds that invest in physical or tangible assets including, but not limited to precious metals, agricultural land, and natural resources. A significant portion of these investments are illiquid; some allow redemptions on a quarterly basis.

(j) This class represents investments in funds involving the purchase, ownership, management, rental and/or sale of real estate properties. These investments are illiquid.

In connection with its investing and hedging activities, the Federation enters into transactions, directly and indirectly through positions held by the underlying investment entities, with a variety of securities and derivative financial instruments. These derivative financial instruments may have market and/or credit risk in excess of the amounts recorded in the consolidated statements of financial position.

The Federation's direct and indirect investments are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

Note 7. Fair Value of Financial Instruments and Investments (Continued)

The Federation may have indirect commitments that arise through positions held by the underlying investment entities in which the Federation invests directly and indirectly. These underlying investment entities utilize a variety of financial instruments in their trading strategies including, but not limited to, equity and debt securities of U.S. and foreign issuers, options and futures, forwards and swap contracts. These financial instruments contain various degrees of off-balance-sheet risk, including both market and credit risk. Market risk is the risk of potential adverse changes to the value of the financial instruments and their derivatives because of changes in market conditions, such as, but not limited to, interest and currency rate movements and volatility in commodity or security prices. Credit risk is the risk of the potential inability of counterparties to perform under the terms of their contracts, which may be in excess of the amounts recorded in the respective investment entity's balance sheet. In addition, the underlying investment entities may sell securities not yet purchased, whereby a liability is created for the repurchase of the security at prevailing prices. The ultimate obligation to satisfy the sales of securities sold, but not yet purchased, may exceed the amount recognized on their respective balance sheets.

However, as an investor in these underlying investment entities, the Federation's financial risk is limited to the fair value of its investments, which is reflected on the consolidated statements of financial position.

The Federation has invested in underlying investment entities which may have the right to temporarily restrict withdrawals/redemptions for periods of time beyond those described above. Such restrictions have been imposed on some of the Federation's investments as of June 30, 2021 and 2020. These restrictions may restrict the Federation's ability to satisfy future withdrawal requests.

The Federation also indirectly engages in the speculative trading of certain financial instruments through its underlying investment entities.

Market risk: Market risk arises primarily from changes in the market value of financial instruments. Exposure to market risk is influenced by a number of factors, including the relationships between financial instruments and the volatility and liquidity in the markets in which the financial instruments are traded. In many cases, the use of financial instruments serves to modify or offset market risk associated with other transactions and, accordingly, serves to decrease the Federation's overall exposure to market risk. The Federation attempts to control its exposure to market risk through various analytical monitoring techniques.

Credit risk: Credit risk arises primarily from the potential inability of counterparties to perform in accordance with the terms of a contract. The Federation's exposure to credit risk associated with counterparty nonperformance is limited to the current cost to replace all contracts in which the Federation has a gain. Exchange-traded financial instruments generally do not give rise to significant counterparty exposure due to the cash settlement procedures for daily market movements and the margin requirements of individual exchanges. The Federation seeks to mitigate its exposure to this credit risk by placing its cash with major institutions.

Concentration of credit risk: The Federation's managers currently invest with various managers and clearing brokers. In the event these counterparties do not fulfill their obligations, the Federation may be exposed to risk. This risk of default depends on the creditworthiness of the counterparty to these transactions. The Federation attempts to minimize this credit risk by monitoring the creditworthiness of the managers and clearing brokers.

Investments in underlying funds: The managers of underlying investment entities in which the Federation invests may utilize derivative instruments with off-balance-sheet risk. The Federation's exposure to risk is limited to the amount of its investment.

(In Thousands)

Note 7. Fair Value of Financial Instruments and Investments (Continued)

As of June 30, 2021 and 2020, the Federation had approximately $169,000 and $176,000, respectively, of unfunded capital commitments to various investment entities, which have no specific capital call dates and such capital calls are at the discretion of the investment fund managers. This amount has been substantially reduced in recent years. Management believes most of the commitments will be called sometime over the next five to 10 years.

Note 8. Loans Payable

Loans payable consisted of the following:

		2021		2020
Loan to meet operating needs (a)	$	5,000	$	10,500
Loan to fund the Jewish Day School Guaranty Trust endowment fund distributions (b)		750		3,656
Loan to finance implementation costs associated with a new payroll and human resources and information system (c)		-		137
Loan payable from the Paycheck Protection Program (d)		-		5,421
	$	5,750	$	19,714

(a) The Federation maintains an unsecured revolving line of credit with JP Morgan Chase Bank, N.A. (JP Morgan). During fiscal year 2021, the interest rate on the line of credit was LIBOR plus 1.10%. In August 2021, the line of credit was renewed with an interest rate of LIBOR plus 0.65%, and a maturity date of August 29, 2022.

(b) Term loan with JP Morgan which financed distributions on behalf of the Jewish Day School Guaranty Trust, an endowment fund of the Federation. The loan required quarterly principal and interest payments of $743, had a fixed interest rate of 2.57%, and was paid in full during July 2021.

(c) The Federation had a term loan agreement with Bank Leumi which financed the implementation/start-up costs associated with a new payroll and human resources information system for the Federation and its affiliated agencies. The loan had a fixed interest rate of 2.9% and was paid in full during February 2021.

(d) In April 2020, Jewish United Fund obtained a loan from Wintrust Bank, N.A under the Paycheck Protection Program. The loan was guaranteed by the U.S. Small Business Administration as part of the Coronavirus Aid Relief and Economic Security Act. Under the terms of the loan program, the loan was to be forgiven if Jewish United Fund used the loan proceeds for eligible costs and maintained certain employee and wage rate thresholds. Jewish United Fund received notification of full forgiveness of the loan in June 2021 and recognized revenue of $5,421, which is included within grants from government agencies on the consolidated statement of activities for fiscal year 2021.

(In Thousands)

Note 8. Loans Payable (Continued)

Future principal maturities on the loans are as follows:

2022	$	750
2023		5,000
	$	5,750

Interest expense related to the above borrowings for the fiscal years ended June 30, 2021 and 2020, is approximately $171 and $372, respectively.

Note 9. Tax-Exempt Debt

Tax-exempt debt consisted of the following:

		2021		2020
Colorado Educational and Cultural Facilities Authority – Series G3	$	1,690	$	1,880
Colorado Educational and Cultural Facilities Authority – Series J1		3,740		3,915
	$	5,430	$	5,795

Colorado Educational and Cultural Facilities Authority—Series G3: Pursuant to an agreement dated June 1, 2012, with the Colorado Educational and Cultural Facilities Authority and Wells Fargo Bank, N.A. (Wells Fargo), the Federation received proceeds from the issuance of direct placement tax-exempt bonds (G3 bonds) in the amount of $5,015 to refinance the Series A1 and F1 bonds. The remaining proceeds of $69,820 were issued to Facilities, CJE SeniorLife and Jewish Community Centers of Chicago.

The bonds mature in 2034 and bear interest at a variable rate of 80% of monthly LIBOR plus 0.68%. This rate expires on June 1, 2022, at which time Federation expects to refinance or renew the terms of the loan. The effective interest rate for fiscal years 2021 and 2020 was approximately 0.79% and 1.93%, respectively. The Federation has entered into a Guaranty Agreement whereby it has guaranteed the payment of the aggregate original bond principal amount.

Colorado Educational and Cultural Facilities Authority—Series J1: Pursuant to an agreement dated July 1, 2012 with the Colorado Educational and Cultural Facilities Authority and JP Morgan Chase Bank, N.A. (JPMorgan Chase), the Federation received proceeds from the issuance of a direct placement tax-exempt loan (J1 Loan) in the amount of $5,150 to refinance previously existing tax-exempt debt. The remaining proceeds of $62,560 were issued to Facilities to refinance previously existing tax-exempt debt.

The loan matures in 2038 and bears interest at a variable rate of 79% of monthly LIBOR plus 0.85%. This rate expires on July 1, 2022, at which time Federation expects to refinance or renew the terms of the loan. The effective interest rate for fiscal years 2021 and 2020 was approximately 0.96% and 2.09%, respectively. The Federation has entered into a Guaranty Agreement whereby it has guaranteed the payment of the aggregate original bond principal amount.

(In Thousands)

Note 9. Tax-Exempt Debt (Continued)

Future principal maturities on tax-exempt debt is:

2022	$	370
2023		395
2024		300
2025		305
2026		320
Thereafter		3,740
	$	5,430

Note 10. Derivative Financial Instruments

To minimize the effect of changes in interest rates on tax-exempt debt, the Federation has entered into various interest rate swap arrangements. As of June 30, 2021, the Federation had five interest rate swap arrangements, with various financial institutions for notional amounts ranging from approximately $1,974 to $49,995, totaling approximately $124,000 of notional value.

In connection with four of the five swap arrangements, the Federation has agreed to pay fixed rates of interest equal to a blended average of 3.4%, with the counterparty paying a floating rate based on a range of 68% to 74% of LIBOR. Two of the swaps also include “knock out” provisions under which the Federation would be required to pay interest at the floating rate rather than the fixed swap rate for as long as the 180-day rolling average of the SIFMA Index remains above a 6% threshold. The SIFMA rate was 0.03% and 0.09% as of June 30, 2021 and 2020, respectively. The swap arrangements expire on various dates through 2041 matching the maturities of the underlying tax-exempt debt.

One of the Federation’s swaps was entered into on behalf of CJE SeniorLife to hedge its exposure to floating interest rates on the Series G3 Bonds. The outstanding notional amount of the swap was $9,670 and $10,678 at June 30, 2021 and 2020, respectively. The Federation and CJE SeniorLife entered into an agreement whereby CJE SeniorLife agreed to pay all ongoing expenses related to the interest rate swap agreement directly to Wells Fargo. In connection with the interest rate swap agreement, CJE SeniorLife has agreed to pay a fixed rate of interest equal to 3.7%, with the counterparty paying a floating rate equal to 68% of the 30-day LIBOR rate. The Federation has recorded a receivable from CJE SeniorLife and an offsetting liability for the fair value of the swap agreement. At June 30, 2021 and 2020, the fair value of the interest rate swap is a liability of $1,417 and $1,985, respectively. Corresponding receivables for these amounts are recorded in pledges and other receivables at June 30, 2021 and 2020. The change in the receivable and the change in the fair value of the interest rate swap is recorded as an unrealized loss on the fair value of swap arrangements on the consolidated statement of activities. The interest rate swap agreement expires in 2035.

At June 30, 2021 and 2020, the estimated fair value of these five swap arrangements was a liability of $13,929 and $20,458, respectively.

(In Thousands)

Note 10. Derivative Financial Instruments (Continued)

The interest rate swap agreements as of and for the years ended June 30, 2021 and 2020, consist of:

	2021	2020
Liability derivatives:		
Interest rate contracts at fair value:		
Statement of financial position:		
Interest rate swap liability	$ 13,929	$ 20,458
Effective portion of loss:		
Other changes in net assets:		
Statement of activities position:		
Unrealized (gain) loss on swap agreement	$ (6,529)	$ 6,381
Less amount of loss (gain) allocated to CJE SeniorLife	569	(392)
	$ (5,960)	$ 5,989

Margin call: In connection with its interest rate swap arrangements, the Federation has entered into master agreements with JP Morgan and Wells Fargo which contain collateral posting provisions. When the net present value of the combined market values of the swaps exceeds $20,000 and $25,000 with JP Morgan and Wells Fargo, respectively, the swap counterparties with the negative carrying value must provide collateral to the other counterparty.

Note 11. Endowment

The Federation's endowment consists of donor-restricted funds established for a variety of purposes. In addition, its endowment includes funds designated by the Board of Directors to function as endowments. These funds are categorized as board-designated and included within long-term investments on the consolidated statement of activities. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law: The Uniform Prudent Management of Institutional Funds Act (UPMIFA) was enacted in Illinois on June 30, 2009. The Board of Directors of the Federation has interpreted Illinois UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Federation's policy is to classify as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In addition, the endowment includes funds with donor restrictions operating as term endowments for which the principal is not required to be held in perpetuity, and funds designated by the Board to function as endowments.

In accordance with UPMIFA, the Federation considers the following factors in making a determination to appropriate or accumulate earnings on donor-restricted endowment funds:

1. The duration and preservation of the fund.

2. The purpose of the Federation and the donor-restricted endowment fund.

(In Thousands)

Note 11. Endowment (Continued)

3. General economic conditions.

4. The possible effect of inflation and deflation.

5. The expected total return from income and the appreciation of investments.

6. Other resources of the Federation.

7. The investment policies of the Federation.

Endowment composition: The Federation's endowment net asset composition by type of fund is as follows for the years ended June 30, 2021 and 2020:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted	$ -	$ 208,715	$ 208,715
Board-designated	441,909	-	441,909
	$ 441,909	$ 208,715	$ 650,624

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted	$ -	$ 181,464	$ 181,464
Board-designated	384,866	-	384,866
	$ 384,866	$ 181,464	$ 566,330

(In Thousands)

Note 11. Endowment (Continued)

Changes in endowment net assets: The changes in endowment net assets for the Federation were as follows for the years ended June 30, 2021 and 2020:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 384,866	$ 181,464	$ 566,330
Investment gains:			
Net gain on investment activity (realized and unrealized)	88,465	35,785	124,250
Contributions	8,081	26,353	34,434
	96,546	62,138	158,684
Other changes:			
Satisfaction of restriction appropriation	34,887	(34,887)	-
Distributions	(74,390)	-	(74,390)
	(39,503)	(34,887)	(74,390)
Endowment net assets, end of year	$ 441,909	$ 208,715	$ 650,624

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 221,168	$ 147,205	$ 368,373
Investment gains:			
Net gain on investment activity (realized and unrealized)	9,933	5,286	15,219
	9,933	5,286	15,219
Contributions	170,671	48,257	218,928
Other changes:			
Satisfaction of restriction appropriation	19,284	(19,284)	-
Distributions	(36,190)	-	(36,190)
	(16,906)	(19,284)	(36,190)
Endowment net assets, end of year	$ 384,866	$ 181,464	$ 566,330

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or Illinois UPMIFA requires the Federation to retain as a fund of perpetual duration. Certain funds with original gift values totaling approximately $25,641 and $47,707 at June 30, 2021 and 2020, respectively, had deficiencies of $11,479 and $15,228 at June 30, 2021 and 2020, respectively. These deficiencies resulted from unfavorable market fluctuations in prior years that occurred after the investment of new contributions with donor restrictions and continued appropriation for certain programs that was deemed prudent by the Board of Directors.

(In Thousands)

Note 11. Endowment (Continued)

Funds with surpluses: The Federation also has funds with donor restrictions, which are to be maintained in perpetuity, with an accumulated surplus. The fair values of such funds at June 30, 2021 and 2020, were approximately $55,521 and $14,341 more than the original gift amounts of $58,848 and $33,221, respectively.

Return objectives and risk parameters: The Federation adopted investment and spending policies for endowment assets that attempt to provide a stable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to achieve an annualized long-term average nominal return which is approximately equal to the long-term average return of the market as a whole, but with less volatility than the overall market. Actual returns in any given year may vary significantly from the targeted amount.

Strategies employed for achieving objectives: To satisfy its long-term rate-of-return objectives, the Federation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Federation targets a broadly diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy: Prior to fiscal year 2019, the Federation used the controlled growth distribution policy (CGDP) for the majority of its endowment assets. Effective beginning in fiscal year 2019, the Federation began a transition to a new spending policy that uses a 4% spending rate for all newly established endowment funds. For existing endowment funds, a 4% spending rate, based on the rolling 16-quarter average balance, is being phased in over a five-year period.

Note 12. Net Assets with Donor Restrictions

Net assets released from time and purpose related restrictions were as follows:

	2021	2020
Satisfaction of restrictions:		
Satisfaction of time restriction	$ 7,630	$ 2,111
Satisfaction of restriction through recurring annual distributions	28,059	17,124
Total satisfaction of restrictions	$ 35,689	$ 19,235

(In Thousands)

Note 12. Net Assets with Donor Restrictions (Continued)

The following is a summary of net assets with time- and purpose-related restrictions:

	2021	2020
Abe and Ida Cooper Center	$ 6,902	$ 5,911
The ARK	61	49
CJE SeniorLife	595	243
Arie Crown Hebrew Day School – capital project	18,519	12,124
Center for Jewish Genetics	6,608	5,480
Charitable remainder trusts	5,959	4,956
Chicago Jewish Day School capital project	630	1,501
Children with special needs	1,214	1,035
Covenant Foundation	171	-
COVID-19 Initiative	2,088	8,768
Disaster relief fund	41	74
Fiedler Hillel	156	131
Financial assistance for the homeless	541	462
Financial assistance for students	12,730	8,751
Fund for the future	8,841	9,664
Hebrew Theological College	229	210
Hillels of Illinois	1,499	923
Holocaust Community Services	637	1,781
IsraelNow Teen Fund	20,119	19,346
Jewish Agency for Israel	4,576	3,997
Jewish Child and Family Services	3,001	514
Jewish Child and Family Services – Skokie Human Service Campus	-	3,628
Jewish Community Centers of Chicago – capital projects	928	1,235
Jewish Community Centers of Chicago – Uptown Cafe	970	822
Jewish community fund for adults with disabilities	3,103	401
Jewish Day School Guaranty Trust Fund	24,451	20,078
Jewish Education	56	47
Jewish United Fund Learning Centers in Israel	3,768	3,020
JFMC Facilities Corporation – Hillman ballfield at the Horwich Building	84	72
Marvin Lustbader Health Club	2,615	2,209
Michael Reese Health Trust – educational and research purposes	15,497	8,575
Scholarships to Israel	1,003	928
Solomon Schechter Day School	2,423	552
Spertus Institute for Jewish Learning and Leadership	2,277	1,810
Summer Camp Program	2,505	2,104
Time restricted	5,870	5,595
Various other charities	4,044	5,090
Young Leadership Award	267	216
	$ 164,978	$ 142,302

(In Thousands)

Note 12. Net Assets with Donor Restrictions (Continued)

The following is a summary of net assets held in perpetuity:

	2021	2020
Principal to be held in perpetuity, income earned to be used for the following purposes:		
The ARK	$ 92	$ 92
Beneficial interest in charitable trusts	47,048	37,222
Center for Jewish Genetics	250	250
Educational and research purposes	15,060	15,060
General purposes	23,104	23,104
Hillels of Illinois	1,822	1,822
Jewish Child and Family Services	194	194
Jewish Day School Guaranty Trust	1,044	1,044
Jewish Education	120	120
Jewish United Fund Campaign Endowment	12,080	12,080
Local social welfare agencies	2,385	2,385
Programs for the elderly	1,830	1,830
Programs for the youth	779	779
Scholarships and financial assistance	13,150	13,150
Spertus Institute for Jewish Learning and Leadership	1,036	1,036
Various other charities	10,042	7,625
Young adult engagement program	1,501	1,501
	131,537	119,294
Total net assets with donor restrictions	$ 296,515	$ 261,596

Note 13. Self-Insurance Programs

The Federation participates with certain of its affiliated agencies in self-insurance programs for health, dental and vision insurance. Funds contributed by the participating employers to the programs are held by (and related disbursements are made from) custodian funds of the Federation for such self-insurance programs. Payments by the Federation to the programs for the fiscal years ended June 30, 2021 and 2020, amounted to approximately $2,588 and $1,679, respectively. The HMO health insurance plan used by the Federation and its affiliated agencies was changed to a self-insured plan in fiscal year 2021. Prior to 2021, the HMO was a fully insured plan and premiums were paid directly to an insurance carrier rather than the self-insurance program.

All self-insurance programs of the Federation and its affiliated agencies include specific and aggregate stop loss insurance policies.

(In Thousands)

Note 14. Defined Benefit Plan

Jewish United Fund is the sponsoring employer of the Federation Employees' Retirement Income Plan (FERIP), which is treated as a multi-employer plan for accounting purposes. FERIP is a noncontributory defined benefit plan which covers substantially all of the organizations' exempt employees who have performed one year of service. Participating employers in FERIP include: JFMC Facilities Corporation, Chicago Board of Rabbis, CJE Senior Life, Jewish Child & Family Services and Jewish Community Centers of Chicago (participating employers). FERIP provides defined benefits based on years of service and final average salary. The Federation and the participating employers contribute to FERIP annually as determined by the plan's actuary.

Effective June 30, 2021, FERIP was amended to close the plan to new employees so that individuals hired or transferred into a non-bargaining unit position after June 30, 2021 are not eligible to participate in or accrue credited service under the plan after such date. This amendment did not have any impact on employees already participating in FERIP as they will continue to accrue credited service and benefits. Non-bargaining unit employees hired after June 30, 2021 will be eligible to participate in a newly established 401(k) plan that includes both an employer match and an employer non-elective contribution.

In accordance with the guidance on employers' accounting for defined benefit pension and other postretirement plans, the liability for pension benefits reflects the total underfunded position of FERIP (the difference between the fair value of plan assets and the projected benefit obligation). To account for the participating employers' portion of the pension liability and corresponding expense, the Federation records an asset and reduces the pension expense which is allocated to operating expenses of the various departments. As of June 30, 2021 and 2020, this asset totaled $32,668 and $41,958, respectively. In addition, the Federation maintains a board-designated investment for retirement benefits which was valued at $1,266 and $1,015 at June 30, 2021 and 2020, respectively, to fund possible future liabilities of FERIP.

Plan contributions and the actuarial present value of accumulated plan benefits are prepared based on certain assumptions pertaining to interest rates, inflation rates, mortality rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimation and assumption process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the consolidated financial statements. The fair value of plan assets is subject to the market volatility of the underlying investments.

The measurement date used to determine benefit obligations and fair value of plan assets was June 30, 2021. The measurement period was the 12 months between July 1, 2020 and June 30, 2021.

Information relative to the Federation's benefit obligations for FERIP (including all participating employers) are presented below:

Obligations and funded status:

	2021	2020
Fair value of plan assets	$ 109,595	$ 92,443
Projected benefit obligation	171,760	167,827
Unfunded status (of which $32,668 and $41,598 pertains to the participating employers)	$ (62,165)	$ (75,384)

(In Thousands)

Note 14. Defined Benefit Plan (Continued)

Amounts reported on the consolidated statements of financial position consist of:

	2021	2020
Amounts due from participating employers for pension benefits	$ 32,668	$ 41,958
Liability for pension benefits	(62,165)	(75,384)
Net liability	$ (29,497)	$ (33,426)

Amounts recognized on the consolidated statements of activities as a change in net assets without donor restrictions (Note that 2020 amounts covered only the six-month period ended June 30, 2020, whereas 2021 includes a full year):

	2021		2020	
Pension expense recognized in operations	$ 3,850		$ 1,549	
Amounts recognized on the statement of activities as pension-related changes other than pension expense	(6,256)		5,254	
	(2,406)		6,803	
Add net amount pertaining to participating employers	(7,083)		9,889	
	$ (9,489)	*	$ 16,692	*

Amounts not yet recognized as components of pension expense included in net assets without donor restrictions:

	2021		2020	
Prior service cost	$ -		$ -	
Net loss	17,322		23,578	
	17,322		23,578	
Add net amount pertaining to participating employers	20,307		31,612	
	$ 37,629	*	$ 55,190	*

Amounts recognized for the year:

	2021		2020	
Employer contributions	$ 1,524		$ 756	
Add net amount pertaining to participating employers	2,207		1,095	
Total FERIP contributions	$ 3,731	*	$ 1,851	*
Benefits paid	$ 2,209		$ 1,075	
Add net amount pertaining to participating employers	4,126		2,038	
Total FERIP benefits paid	$ 6,335	*	$ 3,113	*

* Amounts per actuary report

(In Thousands)

Note 14. Defined Benefit Plan (Continued)

Weighted-average assumptions used in computing obligations and net periodic pension cost:

	2021		2020	
Benefit obligations:				
Discount rate	3.09	%	3.04	%
Rate of compensation increases	4.02		3.00	
Net periodic benefit cost:				
Discount rate	3.04	%	3.38	%
Rate of compensation increases	3.00		3.00	
Expected return on plan assets	6.00		6.00	

The Federation's expected long-term return on plan assets assumption is based on a periodic review and modeling of the plan's asset allocation and liability structure over a long-term horizon. Expectations of returns for each asset class are the most important of the assumptions used in the review and modeling and are based on comprehensive review of historical data and economic/financial market theory. The expected long-term rate of return on assets was selected from within the reasonable range of rates determined by (a) historical real returns, net of inflation, for the asset classes covered by the investment policy and (b) projections of inflation over the long-term period during which benefits are payable to plan participants.

For the 12-month period ended June 30, 2021, a discount rate on benefit obligations of 3.09% was used.

For the year ended June 30, 2021, the RP-2014 Mortality Table for Males and Females was used in the determination of the present value of accumulated plan benefits. These tables are projected forward generationally using projection scale MP-2020.

The Federation's investment policy for FERIP includes various guidelines and procedures designed to ensure assets are invested in a manner necessary to meet expected future benefits earned by participants. The investment guidelines consider a broad range of economic conditions. Central to the policy are target allocation ranges by major asset categories. The objectives of the target allocations are to maintain investment portfolios that diversify risk through prudent asset allocation parameters, achieve asset returns that meet or exceed the plan's actuarial assumptions and achieve asset returns that are competitive with like institutions employing similar investment strategies.

(In Thousands)

Note 14. Defined Benefit Plan (Continued)

The Federation's investment policy for FERIP's overall investment strategy is to allocate approximately 60% of assets to a diversified equity-oriented return-seeking portfolio and 40% to a liability-hedging portfolio invested primarily in long duration fixed-income vehicles. Target allocations within the return-seeking portfolio are as follows: 70% to U.S. and international equity, 10% to global real estate and 20% to return-seeking credit investments. The policy is established and administered in a manner so as to comply at all times with applicable government regulations.

	2021		2020	
Asset category:				
Domestic fixed income	39	%	49	%
Domestic equity	27		15	
International equity	26		28	
Real estate	6		6	
Money market funds	2		2	
	100	%	100	%

The following benefit payments, which reflect future service, are expected to be paid:

2022	$	7,207
2023		7,559
2024		7,775
2025		7,925
2026		8,091
2027-2031		42,881
	$	81,438

The fair values of FERIP's assets at June 30, 2021 and 2020, by asset category, are as follows:

	2021									
Asset Category		Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)		Value Using Net Asset Value		Total
Money market fund	$	2,289	$	-	$	-	$	-	$	2,289
Domestic fixed income		-		-		-		42,705		42,705
Domestic equity		-		-		-		29,103		29,103
International equity		-		-		-		28,280		28,280
Real estate		-		-		-		6,931		6,931
Absolute return hedge funds		-		-		-		287		287
Total	$	2,289	$	-	$	-	$	107,306	$	109,595

(In Thousands)

Note 14. Defined Benefit Plan (Continued)

	2020				
Asset Category	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Value Using Net Asset Value	Total
Money market fund	$ 1,480	$ -	$ -	$ -	$ 1,480
Domestic fixed income	-	-	-	45,411	45,411
Domestic equity	-	-	-	14,231	14,231
International equity	-	-	-	25,764	25,764
Real estate	-	-	-	5,299	5,299
Absolute return hedge funds	-	-	-	258	258
Total	$ 1,480	$ -	$ -	$ 90,963	$ 92,443

Investments in money market, equity and fixed income funds are traded on national securities exchanges and are stated at the last reported sales price on the day of valuation.

Alternative investments and other investment vehicles are valued at fair value based on the applicable percentage ownership of the investment funds' net assets as of the measurement date, as determined by the Federation. In determining fair value, the Federation utilizes valuations and other information provided by the underlying investment funds. The underlying investment funds value securities and other financial instruments substantially on a fair value basis of accounting. The estimated fair values of certain investments of the underlying investment funds, which may include private placements and other securities for which prices are not readily available, are determined by the managers of the respective investment fund and may not reflect amounts that ultimately may be realized. The fair value of the Federation alternative investments generally represents the amount expected to be received if the Federation were to liquidate its alternative investments, excluding any redemption charges that may apply. Accordingly, the estimated fair values of the alternative investments may differ significantly from the values that would have been used had a ready market existed for these investments.

Note 15. Defined Contribution Plan

Jewish United Fund is the plan sponsor for another employee retirement plan, Federation Employees' Retirement Savings Trust Plan of the Jewish Federation of Metropolitan Chicago and Participating Employers (FERST).

FERST is a defined contribution plan, employer contributions to which are computed on the basis of a percentage of salary. FERST provides benefits to employees covered by a collective bargaining agreement.

Annual contributions paid by the Federation to FERST for fiscal years ended June 30, 2021 and 2020, were approximately $118 and $123, respectively.

(In Thousands)

Note 16. Loan Guarantees and Commitments

The Federation is contingently liable as the guarantor on certain indebtedness incurred by affiliated agencies and beneficiary organizations, all of whom receive allocations from Federation. The terms of these guarantees correlate with the terms of the related outstanding tax-exempt debt and bank loans payable, which mature at various dates through 2045. At any time should any of the affiliated / beneficiary organizations be delinquent on its debt payment, the Federation would be obligated to perform under the guarantee primarily by making the required payments. The following is a summary of the loan guarantees and commitments of other organizations that the Federation is contingently liable under as of June 30, 2021 and 2020:

	2021	2020
Akiba-Schechter Jewish Day School	$ 1,456	$ 1,589
Associated Talmud Torahs	63	111
Chicago Jewish Day School	1,683	2,524
CJE SeniorLife	28,677	36,744
JFMC Facilities Corporation	99,188	108,257
Hanna Sacks Bais Yaakov Girls High School	-	155
Hebrew Theological College	307	396
Ida Crown Jewish Academy	34,655	35,670
Jewish Community Centers of Chicago	2,040	2,205
Joan Dachs Bais Yaakov Day School	3,164	13,560
Mt. Sinai Hospital	4,850	6,850
Rochelle Zell Jewish High School	3,945	4,790
Spertus Institute for Jewish Learning and Leadership	35,000	35,000
	$ 215,028	$ 247,851

As of June 30, 2021 and 2020, the guarantees include $123,585 and $157,394, respectively, of tax-exempt debt and $91,443 and $90,457, respectively, of bank loans. A majority of the debt guaranteed by the Federation was used to finance or refinance the purchase and/or renovation of real estate.

In July 2021, CJE SeniorLife prepaid approximately $7.9 million of tax-exempt debt that was guaranteed by the Federation. In September 2021, JFMC Facilities Corporation prepaid approximately $13.2 million of tax-exempt debt that was guaranteed by the Federation

Note 17. Funds Held as Custodian

A summary of funds held on behalf of others for which the Federation acts as custodian, is as follows:

	2021	2020
Charitable remainder and annuity trusts	$ 4,061	$ 2,068
Send a Kid to Israel Program reserve fund	2,768	2,879
Health, dental and vision insurance fund	5,991	3,764
Unemployment compensation reserve fund	8	8
Bar/Bat Mitzvah Registry	257	266
Funds held on behalf of outside organizations	5,925	7,916
	$ 19,010	$ 16,901

(In Thousands)

Note 18. Deferred Compensation Agreements

The Federation has entered into agreements with certain key employees that provide for annual payments of varying amounts per year for a term ranging from 10 years to life. These key employees vested in the deferred compensation upon reaching retirement age or specified years of service. The present value of the vested amount due to employees under the provisions of the agreements totaled approximately $1,971 and $1,882 as of June 30, 2021 and 2020, respectively, and is included in accounts payable and accrued expenses on the consolidated statements of financial position. In connection with these agreements, the Federation made payments of $220 and $168 during the years ended June 30, 2021 and 2020, respectively.

Note 19. Liquidity and Availability

The Federation regularly monitors liquidity required to meet its operating needs and commitments. As of June 30, 2021 and 2020, financial assets available within one year to meet general operating needs are as follows:

	2021	2020
Cash and cash equivalents	$ 21,126	$ 24,084
Investments	128,533	131,410
Pledges and other receivables	39,759	43,156
Total	189,418	198,650
Other:		
Available line of credit	25,000	19,500
Total	$ 214,418	$ 218,150

The Federation's policy for liquidity management is to structure financial assets to be available as operating expenses and liabilities come due. The Federation's main source of revenue for operating expenses come from the annual campaign administered through the Jewish United Fund, endowment fund distributions and government grants. A line of credit for working capital purposes also helps the Federation manage seasonal fluctuations in cash balances.

As described in Note 11, the Federation has various board-designated funds that function as endowments. Other than amounts approved for expenditure, in accordance with the spending policy, the Federation does not intend to make additional withdrawals from these board-designated funds. However, the investments from these funds, which are liquid, could be made available if necessary.

Investments held in funds with donor restrictions are restricted for a specific purpose or program and are not available for general expenditure. In addition, the Federation has approximately $270 million and $1,147 million of investments held in donor advised funds and support foundations, respectively, which are included in net assets without donor restrictions. These funds have been excluded from the table above because the Federation does not intend to use these funds for general operating expenses.

Note 20. Subsequent Events

The Federation has evaluated subsequent events for potential recognition and/or disclosure through December 15, 2021, the date the consolidated financial statements were available to be issued.